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August 1, 1994

Office of the Secretary
Federal Communications Commission
Washington, DC 20054

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FCC MAIL ROOM

RE: CC Docket No. 92-77
Billed Party Preference
for 0+ InterLATA Calls

Dear Sirs:

Enclosed please find an original and four (4) copies of the Comments of Interlink Telecommunications, Inc. submitted for your consideration.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Walt Sapronov

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION AUG 1 1994
Washington, D.C. 20554

FOC MAIL ROOM

In the Matter of)
Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

COMMENTS OF
INTERLINK TELECOMMUNICATIONS, INC.

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Attorneys for
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Inc.

July 29, 1994

SUMMARY OF POSITION

Interlink Telecommunications, Inc. ("Interlink") believes that the record created thus far in this proceeding strongly supports rejection of the proposed Billed Party Preference ("BPP") system. Interlink further believes that the requirements established by the Telephone Operator Consumer Services Improvement Act of 1990 ("TOCSIA")¹ adequately address the provision of operator services.

The implementation of a BPP system provides negligible benefits while subjecting small OSPs to entry barriers and unnecessary expenditures for so-called "improvements".

The TOCSIA regulations are effective and achieve the same purpose as BPP without the attendant disadvantages. Access code and "1-800-COLLECT" dialing methods are gaining popularity as large service providers institute mega-advertising campaigns targeted at educating the public. At the same time, heightened competition and consumer dissatisfaction eliminates discriminatory tactics such as access code blocking from the public communications network.

¹ 47 U.S.C. § 226 (1988).

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)	
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COMMENTS OF INTERLINK TELECOMMUNICATIONS, INC.

Interlink Telecommunications, Inc. ("Interlink"), by its attorneys, hereby comments in response to the Further Notice of Proposed Rulemaking issued in the above-referenced docket on June 6, 1994.

Interlink is an Atlanta-based specialized telecommunications company that focuses on niche markets in the public communications industry. Interlink provides interstate switched telecommunications services, operator services, and international long distance services pursuant to tariffs filed with the Federal Communications Commission ("FCC" or "Commission"). Interlink is authorized by the Commission as an international resale carrier and as an intrastate reseller by various state commissions. Many of these services are offered from competitive public telephones.

Interlink offers a full range of live and automated operator services including collect, calling card, third party billed and credit card calling. Live operators are available to serve callers 24 hours a day, 7 days a week in placing and billing calls, resolving disputes, and providing rate quotes.

Small operator service providers ("OSPs"), such as Interlink, are virtually unanimous in their rejection of BPP and its proposed implementation plan.

I. THE COMMISSION SHOULD REJECT IMPLEMENTATION
OF A BILLED PARTY PREFERENCE ("BPP") SYSTEM
BECAUSE THE COSTS OUTWEIGH THE BENEFITS

A. The Commission Should Reject BPP Because
Its Cost Benefit Analysis Is Flawed

The Commission understates the costs attendant with BPP by ignoring the costs of conversion and balloting (including advertising and marketing). Implementation of BPP for OSPs has been projected at costing \$120 million.² These costs, however, only include software development and hardware reconfigurations.³ Accordingly, Interlink urges the Commission to consider the overall, adverse effect of BPP on small OSPs.

First, small OSPs will have great difficulty raising the capital necessary for implementation of a BPP system. Unlike large carriers, small OSPs are usually not publicly traded and have no market to trade their commercial paper. In addition, small OSPs pay higher interest rates on borrowed capital and receive poorer credit terms from suppliers. Large, publicly traded OSPs do not experience such problems.

² In the Matter of Billed Party Preference for 0+ InterLATA Calls, Further Notice of Proposed Rulemaking, CC Docket No. 92-77, FCC 94-117 at para. 28 (released June 6, 1994) [hereinafter "FNPRM"].

³ Id.

Second, the Commission failed to include OSP costs for balloting in its analysis. Many small OSPs have been successful by targeting limited advertising and marketing budgets at niche markets. However, implementation of a BPP system would undermine these efforts altogether. Instead, implementation of BPP would force small OSPs to increase and redirect advertising revenues toward mass audiences with a goal of nationwide or regional recognition. Large OSPs with national advertising budgets will not experience such capital reallocations.

B. The Commission Should Reject BPP Because
The Costs Will Create Entry Barriers
Forcing Small Operator Service Providers
Out Of Business

The high cost of implementing a BPP system will likely force many small OSPs out of business. In its FNPRM the FCC acknowledged that BPP would require the implementation of switching equipment to handle signalling system 7 ("SS7") protocol, the development of call processing software, and updating of existing trunk lines.⁴ In previous proceedings, the Commission has further acknowledged that an OSP "would have to enter the "1+" market, offer nationwide service, and issue calling cards" in order to be effective under a BPP system.⁵ These requirements create insurmountable barriers for many small OSPs.

⁴ FNPRM at para. 6.

⁵ In the Matter of Billed Party Preference for 0+ Interlata Calls, Notice of Proposed Rulemaking, 7 F.C.C.R. 3027, 3031 (1992).

Simply put, the cost of implementing the equipment and software will either cause most small OSPs to fail, or will create huge entry barriers because balloting requires nationwide service and presence. Along with requiring large revenue streams to make such un-needed capital improvements, OSPs will require additional capital for advertising and marketing. And, even if small OSP were to make the required improvements or expenditures, there is no guarantee that they will retain an adequate revenue stream to be able to cover these costs on an ongoing future basis.

The arguments proffered by the FCC in favor of a BPP system disadvantage small OSPs. First, the FCC suggests that BPP would focus competition on end users.⁶ However, costs for technical expenditures necessary to implement BPP will drain small OSPs of needed advertising and marketing revenues, thereby taking them out of the competitive marketplace altogether. Second, the FCC asserts that such a shift in market focus would eliminate commissions and save an estimated \$340 million per year.⁷ However, this analysis fails to account for costs of balloting, and related advertising costs needed to create nationwide recognition. In short, BPP will hinder small OSPs' ability to grow, while awarding large carriers existing calls which are presently presubscribed to small OSPs, many of whom will be bankrupted by BPP implementation costs.

⁶ FNPRM at para. 9.

⁷ Id.

II. THE COMMISSION SHOULD REJECT BPP BECAUSE THE FCC IMPLEMENTATION PLAN IS COSTLY AND PROTECTIVE OF LARGE SERVICE PROVIDERS

A. The Commission Should Reject Full Balloting Because It Is Costly And Discriminates In Favor Of Large Service Providers

Nationwide balloting would be unnecessarily burdensome and costly. Incident to such balloting, small service providers would have to spend large amounts on advertising or risk elimination from the marketplace. In attempting to gain name recognition, small providers would deluge consumers with advertisements, further adding to the latter's confusion and frustration.

Furthermore, assigning consumers that fail to return ballots by default to their "1+" carrier unfairly discriminates against small service providers. Interlink urges the Commission to implement an equal access approach of allocating default customers in the same proportion as customers who affirmatively chose an OSP.

B. The Commission Should Encourage Familiar Access Code Dialing In Lieu Of Confusing New Methods

Access code dialing procedures currently used by small OSPs are not inconvenient to consumers. Instead, consumers have become accustomed to, and will become more familiar with, access code dialing prior to the final implementation of BPP in 1997. Large public advertising campaigns directed at all consumers educate the

public to access code and 1-800-COLLECT⁸ methods of dialing. Additionally, small OSPs and interexchange carriers ("IXCs") often pursue niche markets (e.g. small business users) where systems involving access code dialing are familiar. In the process, small OSPs further educate consumers about access code dialing.

The FCC should also recognize that TOCSIA regulations are effective at achieving the same goals as BPP without the latter's attendant disadvantages. Today, consumers are informed of the carrier presubscribed to certain public telephones⁹; moreover, consumers are permitted to terminate calls¹⁰ or dial-around¹¹ at no charge. Moreover, consumer familiarity with TOCSIA requirements has encouraged access code usage. Future increases in access code dialing should be read as a signal that TOCSIA requirements are working effectively.

C. The Commission Should Reject BPP Because It
Would Hinder Important New Service Innovations

The BPP system is dependent upon the creation and widespread use of software that is either non-existent, or not used by local exchange carriers ("LECs"); its implementation would thus result in

⁸ For example, in the Atlanta, Georgia market, there are numerous advertisements for AT&T's access code "10288", as well as AT&T's sponsorship of "1-800-COLLECT Southern Star Amphitheater" at Six Flags amusement park.

⁹ 47 U.S.C. § 226(b)(1)(A).

¹⁰ 47 U.S.C. § 226(b)(1)(B).

¹¹ 47 U.S.C. § 226(b)(1)(E).

small OSPs offering fewer services to consumers. Accordingly, Interlink urges the FCC to encourage innovation and spending to create new services for consumers, not to make unnecessary capital expenditures on a costly BPP system that benefits only large service providers.

Presently, the technology required for all service providers to transmit the numeric billing information required for new services is unavailable. As stated in the FNPRM, BPP requires call and accompanying billing data to be routed to the OSP via SS7.¹² However, not all, and especially not small OSPs, have implemented SS7.¹³ Without SS7 software, customers of small OSPs will be required to dial multiple numerical codes and suffer increased access times, a requirement likely to result in frustration and dissatisfaction. The loss of these customers to larger OSPs which have implemented SS7 would likely follow.

¹² FNPRM at para. 6.

¹³ See, In the Matter of Rules and Policies Regarding Calling Number Identification - Caller ID, 9 F.C.C.R. 1764, 1766 (1994).

III. CONCLUSION

For the foregoing reasons, Interlink urges the Commission not to adopt the implementation of a BPP system.

Respectfully submitted,

Interlink Telecommunications, Inc.

By



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